



Mississippi Soil and Water Conservation Commission
Don Underwood, *Executive Director*

Limited Internal Control and Compliance Review Findings

July 15, 2004

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Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

The management members of the staff of the Mississippi Soil and Water Conservation Commission have attentively reviewed the limited internal control and compliance review findings for our agency for the Fiscal Year of 2003. We acknowledge these findings and the recommendations of the Office of the State Auditor. The Commission offers the following action plans to fully address and correct the weaknesses found by means of the audit.

AUDIT FINDINGS: IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

Internal Controls over Inventory Records Should Be Strengthened

Response: The MS Soil and Water Conservation Commission does recognize that good internal controls over inventory records require that accurate inventory records be maintained. Due to the number of the pieces of conservation equipment that are involved in the Commission's loan program to soil and water conservation districts, extra precautions are needed to make sure inventory numbers are assigned for each piece of equipment and that the corresponding inventory number is documented in the agency inventory records accordingly. Previously, the Inventory Officer of the Commission reassigned inventory numbers of deleted equipment to pieces of new additions to inventory, which made the possibility of recording the wrong inventory numbers and inventory numbers placed on equipment not matching the inventory number documented in the agency's inventory records. In order to ensure assigned inventory numbers are accurately recorded in the agency's inventory records, the Commission has adopted the following procedures.

Corrective Action Plan:

- A. Inventory Officer and Revolving Loan Administrator meet each month to review all new equipment additions and paid equipment deletions. All new inventory numbers are verified as being unique and the old inventory numbers are retired and not re-used.
- B. A new series of inventory numbers have been established.
- C. Agency equipment inventory records are updated monthly and reconciled with the inventory listings printed by the Office of Audit's Property Division.
- D. Agency records are also reviewed and reconciled during the Office of Audit's annual property inventory.

AUDIT FINDINGS: INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Purchase Orders Should Be Prepared and Approved Prior to the Ordering of Goods and Services

Response: The MS Soil and Water Conservation Commission's non compliance with the state purchasing laws was not intentional. The Commission was made aware that there were instances of some goods and services being ordered before purchase orders were issued. In the majority of those instances, purchase orders were issued after the date of the invoice because the goods or services involved the payment for the volume of copies reproduced on the copier machine, contractual rental agreement on the copier or maintenance of equipment. An instance also involved an employee making a purchase of needed supplies for a project or demonstration and asking for reimbursement after the purchase of the supplies. There were employees who were not completely aware of the requirement of a purchase order for goods under state purchasing laws.

Corrective Action Plan:

- A. Open Purchase Orders are issued to cover goods or services on a recurring basis where purchase orders are required. (Example: open purchase order for copier copies, monthly office machine rentals, office lease, office supplies, or payments for other recurring costs of goods and services.
- B. Employees have been reminded of purchasing procedures for goods and services and have been instructed to check with agency's Purchasing Agent before any purchases are made.

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AUDIT FINDINGS: RECEIPT OF GOODS AND SERVICES SHOULD BE DOCUMENTED

Receipt of Goods and Services Should Be Documented

Response: The Mississippi Soil and Water Conservation Commission will strengthen procedures to ensure compliance with state law by requiring the recipient of goods and services to sign and date invoices or other documentation to show proper receipt of goods or services prior to the payment of funds.

Corrective Action Plan:

- A. Every effort will be made to ensure that the goods or services received will be documented by the signature of the person and the date he/she received the goods or services.
- B. The receipt, packing slip, or documentation of receipt of goods and services will be filed with the invoice and payment voucher and proof of warrant number. Payment will not be made for any invoice without proof of receipt.
- C. A letter will be drafted to inform soil and water conservation districts that a signed statement of receipt will be required from the districts to complete the payment process.

The MS Soil and Water Conservation Commission will make every effort to implement the recommendations stated in your compliance audit and the agency's corrective action plan as presented.

We compliment the very professional and highly personable manner in which your auditors Judy Bounds and Rebecca Wilson conducted the compliance audit for our agency.

Sincerely



Don Underwood
Executive Director